

**GOVERNMENT OF INDIA
FINANCE
LOK SABHA**

UNSTARRED QUESTION NO:4778

ANSWERED ON:04.05.2012

INCREASE IN FER

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Will the Minister of FINANCE be pleased to state:

- (a) the details of, and reasons for increase in foreign exchange reserves of the country during 2010-11 and 2011-12;
- (b) the increase in terms of percentage recorded during the last three years, year-wise;
- (c) the details of average interest earned from the reserves if any and details of utilization of the reserves during the same period; and
- (d) whether the Government has explored / proposes to explore the possibility of utilizing the reserves in a more meaningful and productive manner and if so, the details thereof and if not, the reasons therefor?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI NAMO NARAIN MEENA)

(a) The details of foreign exchange reserves during 2010-11 and 2011-12 are given below:

Years	Foreign Exchange Reserves
	(US\$ billion)

2010-11 (end March 2011)	304.8
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2011-12 (end March 2012)	294.4
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The level of foreign exchange reserves is largely the outcome of the RBI's intervention in the foreign exchange market to smoothen exchange rate volatility, valuation changes due to movement of the US dollar against other major international currencies and aid receipts.

(b) The percentage increase in foreign exchange reserves was 10.8 per cent during 2009-10 and 9.2 per cent during 2010-11 over the previous year. However, reserves decreased by 3.4 per cent in 2011-12.

(c) & (d) In line with the principles of preserving the long-term value of the reserves in terms of purchasing power, minimizing risk and volatility in returns and maintaining liquidity, the RBI holds foreign currency assets (FCAs) in major convertible currency instruments. These include deposits of other country central banks, the Bank for International Settlements (BIS) and top-rated foreign commercial banks, and in securities representing debt of sovereigns and supranational institutions with residual maturity not exceeding 10 years, to provide a strong bias towards capital preservation and liquidity. The annualized rate of return, net of depreciation, on the multi-currency multi-asset portfolio of the RBI declined from 4.2 per cent in 2008-09 to 2.1 per cent in 2009-10 and further to 1.7 per cent in 2010-11.